
Financial Need and Packaging

Once the school has the necessary information from the Department, it determines the student's financial need and packages the student's aid. In this chapter, we discuss how financial need is determined, and some factors schools must keep in mind when packaging federal aid.

FINANCIAL NEED

A student must have financial need to receive all SFA funds except for unsubsidized Stafford and PLUS loans under the Direct Loan and FFEL programs. Unlike scholarship programs that may award funds based on academic merit or based on the student's field of study, SFA aid awards are based on the family's need for assistance.

Financial need is simply defined as the difference between the student's cost of attendance and the family's ability to pay these costs, the EFC. For programs other than the Pell Grant Program, other aid the student receives, known as *resources* under the Campus-based programs or as *estimated financial assistance* under the Stafford programs, is also subtracted from the cost of attendance to determine financial need.

If the EFC is less than the cost of attendance (in other words, if the student's family cannot be expected to contribute the full costs faced), the student is considered to have financial need. In the case of eligibility for Pell, however, a maximum eligible EFC is determined annually. Although a student whose EFC exceeds the maximum may have financial need, he or she is not eligible for a Pell. For 2001-2002, the maximum EFC that a student can have to qualify for a Pell is 3550. As long as the EFC is less than the cost of attendance, the student will remain eligible for aid from other SFA programs, provided that he or she meets the other eligibility requirements of those programs.

COST OF ATTENDANCE

The cost of attendance is an estimate of a student's education expenses for the period of enrollment. The total aid the student may receive from the SFA programs and other sources (when added to the student's EFC) can't exceed the student's cost. However, PLUS and unsubsidized Stafford loan amounts may be substituted for the EFC, as described later.

Financial Need =

Cost of Attendance

- EFC
- Resources/estimated financial assistance

Cost of Attendance Cite

Sec. 472

Members of a Religious Order

A member of a religious order is not considered to have financial need for purposes of the SFA programs, if the religious order meets certain criteria. Members of any religious order, society, agency, community, or other organization that (1) has as a primary objective the promotion of ideals and beliefs regarding a Supreme Being, and (2) directs the students' courses of study or provides the students with subsistence support, aren't considered to have financial need.

Therefore, the members of these religious orders can't receive subsidized Direct Loans, subsidized FFELs, Pells, or campus-based aid. They are eligible, however, for unsubsidized FFELs and unsubsidized Direct Loans.

34 CFR 674.9(c), 675.9(c), 676.9(c), 682.301(a)(2), 685.200(a)(2)(ii), 690.75(d)

The components of the cost of attendance are the same for all SFA programs, as specified in the law. However, in the case of programs of study or enrollment periods that are less than or greater than the school's academic year, the cost for purposes of loans and campus-based aid differs from the cost for the Pell Grant Program. Pell costs are always prorated to the costs for a full-time student for a full academic year, but the cost of attendance for the other programs is based on the student's actual costs for the period for which need is being analyzed. See *Volume 3* for more specifics on the Pell cost of attendance.

Components

A student's cost of attendance generally is the sum of the following:

- **The tuition and fees normally assessed for a student carrying the same academic workload.** This includes costs of rental or purchase of equipment, materials, or supplies required of all students in the same course of study.
- **An allowance for books, supplies, transportation, and miscellaneous personal expenses.** A reasonable allowance (as determined by the school) for the documented rental or purchase of a personal computer can be included as part of this allowance.
- **An allowance for room and board.** For students without dependents living at home with their parents, this will be an allowance that you determine. For students living on-campus, the allowance is the standard amount normally assessed most residents; for those living off-campus but not with their parents, the allowance must be based on reasonable expenses for room and board.
- **For a student with dependents, an allowance for costs expected to be incurred for dependent care.** This covers care during periods that include, but that are not limited to, class time, study time, field work, internships, and commuting time for the student. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the kind of care provided.
- **For study-abroad programs approved for credit by the student's home institution, reasonable costs associated with such study.**
- **For a disabled student, an allowance for expenses related to the student's disability.** These expenses include special services, personal assistance, transportation, equipment, and supplies. Expenses provided for by other agencies aren't included.
- **For students engaged in a work experience through a cooperative education program, an allowance for reasonable costs associated with such employment.**

- **For students receiving SFA loans, the fees required to receive them (for example, the loan fee for a Direct Loan or the origination fee and insurance premium for a FFEL).** You may also include the fees required for nonfederal student loans (that is, nonfederal loans that must be considered resources for the student when packaging aid). In all cases, you can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at your school.

Disabled Student

A student is considered disabled if he or she is deaf, mentally retarded, hard of hearing, speech or language impaired, visually disabled, seriously emotionally disturbed, orthopedically impaired, autistic, has a traumatic brain injury, is otherwise health-impaired, or has specific learning disabilities that require special education and related services.

Exceptions to the normal cost of attendance allowances

Following are the exceptions to the normal cost of attendance allowances discussed above:

- For students who are enrolled **less than half time**, only the costs for tuition and fees and allowances for books and supplies, transportation (but not miscellaneous expenses), and dependent care expenses may be included as part of the cost of attendance.
- Generally, the cost of attendance for **correspondence study** is restricted to tuition and fees, which often include books and supplies. If the costs of books and supplies are separate, then they may also be counted in the cost of attendance. If the student is fulfilling a required period of residential training, the cost of attendance can also include required books and supplies, an allowance for travel, and room-and-board costs specifically incurred. (As mentioned in Chapter 1 of this volume, a student isn't eligible to receive SFA aid for correspondence courses unless they are a part of an associate-, bachelor's-, or graduate-degree program and unless the school meets the criteria for the percentage of courses taught using this medium.)
- The cost of attendance for **incarcerated students** is limited to tuition and fees and required books and supplies. Remember that an incarcerated student is ineligible for SFA loans; if a student is incarcerated in a federal or state penal institution, he or she is ineligible for Pell (see Chapter 1 of this volume).
- Previously, the cost to rent or purchase equipment was excluded for students receiving **instruction by telecommunications**. However, effective October 1, 1998, there is no such restriction, and the cost of equipment can be included in the cost of attendance; the law specifies that there is no distinction made in the cost of attendance regarding the mode of instruction.
- You have the authority to use **professional judgment** to adjust the cost of attendance on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file. (See "Professional Judgment" in the *Application and Verification Guide*.)

Other factors

The law specifies the components that are included in the cost of attendance, but you must determine the appropriate amounts. Also, if the student doesn't have some of the normal expenses, you might decide not to include all the components.

▼ *Actual or average costs.* You could use the actual cost for each component for each student, or a cost the average student would pay. For example, for the tuition and fees component, you can use the same amount for all full-time students, instead of figuring the actual tuition and fees for each individual student. You can have different standard costs for different categories of students, such as a cost of attendance for in-state students (who have lower tuition) and a higher cost of attendance for out-of-state students. If a student is enrolled in a program that has extra fees or costs, such as lab fees, you can add those fees to the student's cost or use a standard cost that you've established for all students in that program. If you establish standard cost categories, you must apply the cost allowances uniformly to all students in those categories.

▼ *Costs for periods of other than 9 months.* For the Campus-based, Stafford, and PLUS programs, the cost of attendance for a student covers the period of actual enrollment. Therefore, if the student will be attending for more than 9 months, you can use a higher cost of attendance that includes living expenses, such as room and board, for the longer period of time. If the student will be attending for less than 9 months, you can use a lower cost of attendance. You can choose to prorate the allowances you use for 9 months, or can calculate the cost in any other reasonable way. However, for the Pell Grant Program, you must always use a cost of attendance for 9 months. If you have a cost of attendance for a student that is for a period of other than 9 months, it must be prorated for Pell (see *Volume 3*).

▼ *Tuition and fees not paid by the student.* In some cases, such as under Workforce Investment Act (WIA — formerly JTPA) programs, a student's tuition and fees are paid by another organization or are waived. The basic calculation of COA doesn't change. The only issue is whether the arrangement between the school and the student results in a tuition and fee charge to the student. If the student is charged for the tuition and fees, even if the charge is eventually paid by someone besides the student (e.g., a scholarship agency or other source of aid), then that tuition and fee amount is included in the cost of attendance. The tuition and fees payment would then be counted as a resource and estimated financial assistance. However, if the student is never charged for tuition and fees, then the cost of attendance wouldn't include the tuition and fees component. Some WIA agreements with schools provide that the school can't charge the tuition and fees to the student, even if WIA doesn't cover the costs. If your school is prohibited under such an agreement from charging tuition and fees to the student, then the tuition and fees aren't included in the student's COA.

▼ *Prepaid tuition plans.* As explained in the *Application/Verification Guide*, distributions from *prepaid tuition plans* (cf. *college savings plans* in the same guide) can either reduce the cost of attendance or be counted as a resource and estimated financial assistance. For the FAFSA, the investment value of prepaid tuition plans is **not** reported as an asset of either the holder or the beneficiary.

▼ *Free room and board.* If a student lives on campus, the student is considered to have entered into a contract with the school for room and board, even if there's no charge to the student. For the purposes of calculating the cost of attendance, you must use the contracted charges for the room and board. If that room and board is supplied at no charge, the room and board component of the COA would equal \$0.

The value of room and board provided to an employee should be reported as untaxed income, under housing, food, and other living allowances. It isn't considered financial aid unless the room and board is part of an on-campus job that was awarded on the basis of need. If the room and board results from a job that was awarded on the basis of need, then the value of the room and board would be counted as a resource for campus-based purposes and as estimated financial assistance for Stafford purposes and isn't reported as untaxed income. If the student is charged for the room and board and the charge is then waived, the value of the room and board can be included in the cost of attendance.

Documentation of exceptional expenses

The law doesn't specify what documentation you must collect for expenses such as dependent care or disability-related expenses. You can document these expenses in any reasonable way, such as documenting an interview with the student or obtaining a written statement from the student, or from other appropriate sources.

Tuition Prepayment Plan Cite
Higher Education Act
Sec. 480(j)

Free Room and Board Example
Guerrero University saves some of its Resident Assistant jobs for students with exceptional financial need. All Resident Assistants receive a waiver of room and board charges; if the student quits the job, the waiver is removed and the student has to pay the room and board charges. All the students have the room and board charge in their cost of attendance. For students who are Resident Assistants because of their financial need, Guerrero counts the room and board waiver as a resource and estimated financial assistance. The other students must report the waiver as untaxed income.

Resources Cite

34 CFR 673.5(c)

Resources

Pell eligibility (even if student doesn't apply for Pell), Direct and FFEL loans, other education loans, veterans benefits, grants, tuition and fee waivers, scholarships, fellowships, assistantships, and net earnings from need-based employment that will be received during the award year. Effective October 1, 1998, Americorps benefits are also considered a resource.

Campus-Based Resources

Example

Andrew's COA is \$6,400, and his EFC is 1500. His resources are a \$2,300 Pell and a \$1,200 outside scholarship. Frisson College can award Andrew a \$400 FSEOG and a \$1,000 Perkins Loan to fully meet his financial need.

Loan and EFC Example

In addition to the aid already discussed, Andrew is receiving a \$1,500 unsubsidized Stafford Loan. Because this amount doesn't exceed the EFC, the loan isn't considered a resource, so it doesn't reduce the amount of Andrew's need for campus-based funds. However, if Andrew also received a \$500 private loan, the \$500 would be a resource, because the amount of unsubsidized loans exceeds his EFC by \$500.

RESOURCES AND ESTIMATED FINANCIAL ASSISTANCE

A basic premise of need-based aid is that the total package of aid must not exceed the student's financial need. Therefore, when awarding aid from the SFA programs, you must take into account other sources of aid (which can include aid from other SFA programs). The different SFA programs account for other sources of aid in different ways.

Pell Grants

Pell Grants are considered to be one of the first sources of aid to the student. The Department issues Pell payment schedules that base the award solely on the student's cost of attendance, EFC, and enrollment status. When awarding other sources of need-based aid, you must take eligibility for Pell into account. But it's possible that the student will receive a scholarship or other aid that, in combination with the Pell, causes the student's financial aid package to exceed his need. In those cases, you can't award additional need-based federal aid. If the student's need is exceeded due to the combination of the Pell and other sources of non-need based aid, the student is still eligible for a Pell Grant based on the payment schedule.

Campus-based programs

In contrast to Pell, you must take all resources into account when awarding Campus-based aid. If the total of the student's EFC, resources, and campus-based aid exceeds the student's cost of attendance, the campus-based aid must be reduced to prevent an overaward. However, note that there are overaward thresholds (discussed later in this chapter and in *Volume 4*) for the campus-based programs.

Unsubsidized Stafford, PLUS, and state and private education loans are not considered to be resources to the extent that they finance (or replace) the EFC. Thus, students may borrow under these programs up to the amount of the EFC without affecting eligibility for Campus-based aid or a subsidized Stafford Loan.

For SFA purposes, veterans education benefits are treated as resources, not as income, and therefore are not reported as income on the FAFSA. Americorps benefits are also considered resources, but you may exclude as a resource a portion of any subsidized direct or FFEL loan that is equal to or less than the amount of the student's Chapter 30 Montgomery GI Bill benefits and/or Americorps benefits paid for the cost of attendance.

Note that the income earned from the Veterans Administration Student Work-Study Allowance Program (VASWSAP) is not treated as a veterans education benefit, so it is **not** considered a resource. It should be reported as untaxed income (not income earned from work) on the FAFSA.

Stafford and PLUS Loans

“Estimated financial assistance” must be counted when packaging a student’s Stafford or PLUS loan. Estimated financial assistance includes most of the same sources of assistance as resources, with two exceptions. Americorps benefits and, as a result of Reauthorization, Chapter 30 Montgomery GI Bill benefits are *not* included in estimated financial assistance when determining eligibility for *subsidized* Stafford loans, but they *are* included for *unsubsidized* Stafford loans.

Before you can certify or originate a Stafford Loan, you must determine the student’s eligibility for a Pell. You may use the official EFC from the ISIR to determine Pell eligibility, or calculate the student’s EFC using your own software. However, you must have documentation that the student’s data went through the CPS (for eligibility matches) before the loan can be disbursed.

You may certify or originate a subsidized Stafford Loan only for the amount of student’s financial need—the student’s costs minus the student’s EFC and estimated financial assistance. As noted previously, the student can also borrow unsubsidized loans beyond his or her need as long as the loan does not exceed the EFC. Note that a student may qualify for a combination of subsidized and unsubsidized loans.

PACKAGING

Packaging is the process of finding the best combination of aid to meet a student’s financial need, given limited resources and given institutional constraints that vary from school to school. Because Pell Grants are limited only by the award amount based on the payment schedule, it’s common to think of it as the first aid to be packaged. A subsidized Stafford loan is limited by the student’s EFC and estimated financial assistance (as well as by the maximum loan amounts).

The EFC is not part of the need equation for unsubsidized loans. Unsubsidized Stafford loans are only constrained by the maximum loan limits and the difference between costs and estimated financial assistance. There is no maximum loan limit for PLUS loans (unsubsidized loans made to parents of students). PLUS loans are only limited by the student’s costs minus estimated financial assistance.

You should consider a number of things when packaging aid, such as: should priority be given to students who apply for aid first (on a “first-come-first-served” basis)? Should grant assistance be awarded to beginning students and should loans and work-study go to students who have had a chance to adapt to the academic program? If there are not enough funds to meet every student’s need, should your school policy be to give more assistance to the neediest students? Or should your school meet an equal proportion of each student’s need across the board?

Estimated Financial Assistance Cite

Sec. 428(a)(2)(C), 34 CFR 682.200(b)

Example: Estimated Financial Assistance

Stanislaw’s cost of attendance is \$7,000; his EFC is 1,500. His estimated financial assistance is a Pell of \$2,300, a tuition waiver of \$1,000, and a Perkins Loan of \$1,500. His total estimated financial assistance is \$4,800. Stanislaw is eligible for a maximum subsidized Stafford Loan of \$700. This amount is calculated by subtracting the EFC and the other aid received from the COA ($\$7,000 - \$1,500 - \$4,800$). Because unsubsidized Stafford Loans aren’t considered a resource as long as the loan amount does not exceed the EFC, Stanislaw would also be eligible for an additional \$1,500 in unsubsidized Stafford Loan funds—the amount equal to the EFC.

Subsidized and Unsubsidized Loan Combination Example

Lydia is a first year dependent student, so her loan limit is \$2,625. She qualifies for a \$1,600 Direct Subsidized Loan, and has no remaining need. Her EFC is 4,287 so she can also borrow an additional \$1,025 ($\$2,625$ minus $\$1,600$) Direct Unsubsidized Loan. In addition, her parents could borrow \$3,262 in PLUS ($\$1,025 + \$3,262 = \$4,287$).

Packaging Example: GI Bill Exclusion

Penny is a first-year, independent undergraduate student with an EFC of 1800, a Pell Grant of \$2,000, and Montgomery GI Bill active duty benefits of \$4,200. She enrolls in a four-year program at Frisson College, where her need is \$7,700 (\$9,500 COA - 1800 EFC). Her assistance from the Pell Grant and GI Bill benefits equals \$6,200 (\$2,000 + 4,200). The difference between her need and assistance is \$1,500 (\$7,700 - 6,200).

Because the Montgomery GI Bill benefits do not count as estimated financial assistance for subsidized loans, Penny is eligible for a subsidized Stafford in an amount that exceeds \$1,500. Her COA minus her EFC and Pell Grant would leave an unmet need of \$5,700 (\$9,500 - 1800 - 2,000). The maximum subsidized loan amount for a first-year student is \$2,625 and is less than Penny's unmet need for subsidized loan purposes, so she may receive a subsidized loan of \$2,625. The decision to take out a subsidized loan is Penny's, and the school must follow the statute. In this case, her assistance totals \$8,825 (\$2,000 + 4,200 + 2,625), which exceeds her need. However, under the statute and regulations this is not considered an overaward or an overpayment.

Penny is eligible for campus-based aid if the school chooses to exclude her subsidized loan as a resource. (It can exclude up to the value of the GI Bill benefits from the loan.) Penny's need is \$7,700, and her total resources, minus the loan, would be \$6,200, which is \$1,500 (\$7,700 - 6,200) under her need. Therefore the school may provide campus-based aid up to \$1,500, for example, \$1,000 in FWS funds and \$500 in FSEOG funds. In this case, Penny's assistance totals \$10,325, which exceeds her need as well as her COA.

2,000	Pell Grant
4,200	GI Bill
2,625	Stafford
1,000	FWS
500	FSEOG
10,325	Total aid

However, under the statute and regulations this is not considered an overaward or an overpayment.

The Department provides a Packaging module as part of EDEExpress. You can enter information about its programs and factors to be considered in packaging, and then use the software to automate the packaging process. Many schools also use third-party software for this purpose.

Vocational rehabilitation funds

Special considerations in packaging arise when a student qualifies for both SFA funds and for vocational rehabilitation assistance funds. In that case, you should determine the student's package exclusive of both the costs related to the student's disability and anticipated vocational rehabilitation assistance. In this way, the student with disabilities will be offered the same aid package as a student who is in the same financial situation but who doesn't have disabilities; the student with disabilities will also receive the maximum amount of vocational rehabilitation aid to which he or she is entitled.

If, in packaging aid, you were to consider both the disability-related costs and an anticipated vocational rehabilitation aid amount that was less than those costs, the amount of SFA funds in the student's package might be increased to cover the remaining costs. When the vocational rehabilitation agency actually disburses funds, it will take that SFA increase into consideration and disburse only the smaller anticipated amount rather than disbursing enough to cover all of the disability-related costs. The school has covered all of the student's need in both cases: But if the increase in SFA funds in the second case is the result of an increased loan amount, the school has unnecessarily added to the student's debt burden. Although the vocational rehabilitation funds shouldn't be considered a resource when you package aid for the student, you must coordinate funds available from the vocational rehabilitation agency and from institutional, state, and federal student financial assistance programs to prevent an overaward. The amount of assistance from the vocational rehabilitation agency must be documented in the student's file.

Each state association of student financial aid administrators has a voluntary agreement with its state vocational rehabilitation agency; this agreement specifies the procedures for coordinating vocational rehabilitation assistance with other forms of financial aid. For information about your state association's agreement, contact that association or a regional office of the U.S. Department of Education.